



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: January 6, 2004

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Prepared by: Charles Curtis, Financial Analyst Phone 612-673-5069
Presenter in Committee: Charles Curtis, Financial Analyst

Approved by Lee Sheehy, CPED Director
Chuck Lutz, Deputy CPED Director_____

Subject: Public Hearing and Preliminary Approval of up to \$2,400,000 in Tax-exempt and Taxable Revenue Bonds to be Issued Through the Common Bond Fund

RECOMMENDATION: The CPED Director recommends that the City Council adopt the attached Resolution, following a public hearing held on January 6, 2004, giving Preliminary Approval of up to \$2,400,000 in Tax-exempt and Taxable Limited Tax Supported Development Revenue Bonds, Common Bond Fund, Series 2004, for Infinite Graphics Incorporated to be issued through the Common Bond Fund and designating the bonds as bonds entitled to the security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

Previous Directives: None

Financial Impact (Check those that apply)

- ☐ No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- ☐ Action requires an appropriation increase to the Capital Budget
- ☐ Action requires an appropriation increase to the Operating Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☒ Other financial impact: The issuance of revenue bonds will generate annual administrative fees that are used to support the small business assistance programs of the City.
- ☐ Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact

Ward:	12
Neighborhood Notification:	Cooper, represented by Longfellow Neighborhood has been notified
City Goals:	The proposed project is consistent with Goal 1 to increase the City's economic competitiveness and extend the benefits of the growing economy to Minneapolis residents.
Comprehensive Plan:	The facility is located in an area designated in 1999 as C2 for Commercial Development. The facility is not consistent with the current Plan.
Zoning Code:	C2 Neighborhood Corridor Commercial District 1999 IFWF Industrial Warehouse, Factory prior to 1999, which is a non-conforming use today.
Living Wage/Job Linkage:	Living Wage does not apply. A Job Linkage Agreement will be executed.
Other:	An Affirmative Action Plan will be executed.

Background/Supporting Information**PROJECT LOCATION AND DESCRIPTION:**

The proposed project consists of improvements to the facility at 4611 East Lake Street, including construction of clean rooms and the purchase and installation of equipment.

The facility is located on 12,685 square feet of land and has 9,100 square feet of building.

Infinite Graphics Incorporated has been in business since 1969. The company is a precision graphics company that serves the engineering and manufacturing marketplace. The Company provides precision digital imaging services and products to companies in the area of printed circuits, photo- chemical manufacturing, liquid crystal display, flat panel display, electronic and medical manufacturing, mapping, graphic arts and other market places where exact size and positioning of graphics are desired. The Company also offers related software and other precision graphics products to its customers.

The company is consolidating much of its operation to Minneapolis. Part of the proposed expansion locally will be brought about by the closing of a similar operation in Colorado Springs, Colorado.

The proposed project will not change the exterior of the facility and would remain compatible with the neighborhood. No adverse activities, such as traffic, noise, odors and parking would occur. The stability of the neighborhood would be enhanced.

TYPE OF FINANCING:

<u>Sources:</u>	Tax-exempt Revenue Bonds	\$2,200,000
	Taxable Revenue Bonds	200,000
	Equity	<u>280,000</u>
	Total	\$2,680,000

<u>Uses:</u>	Improvements to building	\$ 900,000
	Parking improvements	35,000
	Equipment purchases	1,200,000
	Payoff of prior mortgage	215,000
	Funding of reserves	210,000
	Costs of Issue	<u>120,000</u>
	Total	\$2,680,000

PRESENT EMPLOYMENT:

30
1 Minneapolis Resident

NEW EMPLOYMENT:

12

**ASSESSOR'S ESTIMATED
ANNUAL TAX INCREASE:**

Minimal increase, since the proposed project consists of internal building improvements and equipment.

AFFIRMATIVE ACTION COMPLIANCE:

Infinite Graphics Incorporated:
The company will complete an Affirmative Action Plan prior to closing.

IRB POLICIES:

Job Component

Minimum standard of one (1) job per 1,000 square feet of building area.

Infinite Graphics incorporated:
In Compliance.

Property Improvements

No more than 25% of the bond proceeds may be used for land acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures.

Infinite Graphics Incorporated:
In Compliance.

Development Standards

Compliance with the Land Use Plan of the City's Comprehensive Plan.

Infinite Graphics Incorporated:
The property was rezoned in 1999 as C2 – Neighborhood Corridor Commercial District. Prior to that date, the property Was IWWF – Industrial Warehouse, Factory, which is a non-conforming use today.

Equipment Financing

Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bonds proceeds may be used to finance movable equipment not constituting a fixture.

Infinite Graphics Incorporated:
In Compliance.

Restaurant/Bank

IRB financing is allowed for a restaurant or a bank if it is built in a Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage establishments, automobile dealership or recreation or entertainment facilities.

Infinite Graphics Incorporated:
NA

Tax-exempt Institution

Refinancing is permitted when new jobs are created or when a significant number of jobs is preserved; any interest cost savings must directly reduce patient costs.

Infinite Graphics Incorporated:
NA

IRB CAP:

The project is subject to the State's limit on tax-exempt bond financing. An Allocation for tax-exempt bonding authority will be requested from the State following Preliminary Approval.

BOND COUNSEL:

Gray, Plant & Mooty

FINANCIAL ADVISOR:

Dougherty & Company, LLC

**REFIEW BY THE COMMON BOND FUND
COORDINATING COMMITTEE:**

An initial review of the proposed project has been made. Preliminary approval was granted, subject to final terms and conditions.

Giving preliminary approval to a project on behalf of Infinite Graphics Incorporated and authorizing the issuance of revenue bonds or notes of the City of Minneapolis therefor; referring the proposed project to the Department of Employment and Economic Development for approval; and authorizing the preparation of necessary documents.

WHEREAS, under Sections 469.152 through 469.1651 of the Minnesota Statutes, as amended (the "Act"), the City of Minneapolis, Minnesota (the "City") is authorized to issue revenue bonds or notes for the purpose of providing financing for the acquisition, construction, rehabilitation and installation of projects consisting of real and personal properties used or useful in connection with a revenue-producing enterprise engaged in any business; and

WHEREAS, the City has assumed the obligations of the Minneapolis Community Development Agency (the "Agency") with respect to a certain common bond fund and intends to continue to issue revenue bonds to be secured thereby (the "Common Fund Bonds"); and

WHEREAS, the City has authority to issue Common Fund Bonds and is the successor to the Common Fund Bonds issued by the Agency; and

WHEREAS, in enacting the Act, the Legislature found that the welfare of the State of Minnesota requires the active promotion, attraction, encouragement and development of economically sound industry and commerce to prevent, as far as possible, the emergence of blight and areas of chronic unemployment and to prevent economic deterioration; and

WHEREAS, other factors necessitating such active promotion and development of industry and commerce within the City are the increasing movement of population and business to suburban areas, the steady and rapid increase in the amount and cost of governmental services required to meet the needs of the central City area and the need for more intensive development and use of land within the City to provide an adequate tax base to finance these costs; and

WHEREAS, the promotion, attraction, encouragement and development of economically sound industry and commerce provides employment opportunities for residents of the City and encourages land development, thereby increasing the tax base of the City and overlapping taxing districts; and

WHEREAS, Infinite Graphics Incorporated, a Minnesota corporation (the "Company"), has proposed to refinance, improve and equip a manufacturing facility located at 4611 East Lake Street in the City (hereinafter, the "Project"), to be used in the operation of its precision graphics products manufacturing business; and

WHEREAS, the Company has proposed that the City issue one or more series of its Common Fund Bonds (the "Bonds"), for the purpose of financing and refinancing the Project, including certain incidental expenses thereto, in an approximate principal amount of \$2,400,000 and the proposal calls for the proceeds realized upon the sale of the Bonds to be applied by the Company pursuant to a revenue agreement wherein the Company will be obligated to refinance, improve and equip the Project and to make payments under the revenue agreement at the times and in the amounts sufficient to provide for the prompt payments of principal of, premium, if any, and interest on the Bonds and all costs and expenses of the City incident to the issuance and sale of the Bonds; and

WHEREAS, the City has been advised by representatives of the Company that conventional, commercial financing to pay the capital cost of the Project has not been obtained and is available only on a limited basis and at such high costs and on such terms of borrowing that the economic feasibility of the Project would be significantly impaired, such that the Project would not be undertaken but for the availability of industrial development bond financing under the Act; and

WHEREAS, the City Council has been advised that the proposed bond issue has been submitted to the Mayor and the Planning Commission of the City at least fourteen (14) days prior to consideration hereof; and

WHEREAS, it is proposed that the Bonds would be further secured by Chapter 424 of the City Code of Ordinances; and

WHEREAS, the proposed Project consists of real and/or personal properties to be used in a revenue-producing enterprise engaged in business, as authorized by the Act; and

WHEREAS, the undertaking of the proposed Project and the issuance of the Bonds to finance the cost thereof will further promote the public purposes and legislative objectives of the Act by encouraging the location and retention of revenue-producing enterprises within the City, by increasing the tax base of the City and overlapping taxing jurisdictions, by providing additional or retaining existing employment opportunities for residents of the City and surrounding area or by stimulating the development and redevelopment of marginal lands within the City; and

WHEREAS, except as may be authorized by Chapter 424 of the City Code of Ordinances, the full faith and credit of the City will not be pledged or responsible for the Project or for the payment of the principal of, premium, if any, and interest on the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY MINNEAPOLIS:

A. That it is hereby found and determined that the Project would not be undertaken but for the availability of industrial development bond financing under the Act.

B. That the undertaking of the Project and the issuance by the City of its Bonds pursuant to the Act in an approximate aggregate principal amount of \$2,400,000 or such

other amount approved by the City not exceeding such sum by more than ten percent (10%), to finance the costs thereof, all as referred to above, is hereby authorized and approved by the City, subject to the approval of the Project by the Department of Employment and Economic Development of the State of Minnesota (the "Department") under the Act, and to the agreement of the City, the Company and the purchaser or purchasers of the Bonds on the detailed terms and conditions on which the Project will be refinanced, improved and equipped and the Bonds will be issued, sold and secured.

C. That in accordance with Sections 469.152 through 469.1651, Minnesota Statutes, staff of the City is hereby authorized and directed to submit the proposal for undertaking the Project to the Department requesting approval of the Project. The Finance Officer, the City Attorney and other officers, employees and agents of the City are hereby authorized to provide the Department such preliminary information as may be required for this purpose. The City Attorney is also authorized, in cooperation Gray, Plant, Mooty, Mooty & Bennett, P.A., as bond counsel, to initiate preparation of such documents as may be appropriate to the Project in order that, when and if the Project is approved by the Department, it may be carried forward expeditiously.

D. That the adoption of this resolution by the City does not constitute a guarantee or a firm commitment that the City will issue the Bonds as requested by the Company. The City reserves the right, in its sole discretion, to withdraw from participation and accordingly not issue any Bonds to finance the Project at any time prior to the adoption of the resolution authorizing the issuance of such Bonds should the City so determine.

E. That the City shall not adopt a resolution authorizing the issuance of the Bonds until all persons and entities, including the Company, involved in the operations or ownership of the Project have complied with all requirements of and had their respective

affirmative action plans and equal opportunity requirements approved by the affirmative action office of the City.

F. That if and when the Bonds are issued by the City such Bonds shall be designated by the City Council of the City as bonds entitled to the security provided by Chapter 424 of the City Code of Ordinances and that the Bonds hereby requested to be designated shall not exceed \$2,400,000 or such other amount approved by the City not exceeding such sum by more than ten percent (10%).

G. This Resolution shall constitute the official intent of the City to reimburse expenditures by the Company with respect to the Project, within the meaning of Section 1.150-2 of the Treasury Regulations.